

OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

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May 17, 2000

Re: Our file Number LR 00-93; Sales tax treatment on multi-level sales

Dear

This is in response to your inquiry for a written response regarding sales to distributors and the collection of sales tax through a multi-level marketing company.

The sales tax treatment of Multi-Level, i.e. Network marketing sales is governed by Oklahoma Tax Commission Rule 710:65-19-214 which provides:

710:65-19-214. Multi-level sales

- (a) Vendors operating a multi-level distribution system will collect tax on the gross receipts of the products retail value. This tax is to be passed through the non-permit holder multi-level distributors to consumers/users.
- (b) For example, a vendor who sells to distributors who in turn sells to consumers/users at a home party is required to collect, report and remit sales tax on the total amount of gross receipts received by the vendor's distributors for sales of tangible personal property or taxable services. The distributor will collect the tax from the consumer.
- (c) Shipping and handling charges that result from the shipment of multi-level sales merchandise to the distributor or the distributor's customers are not subject to sales tax, if separately stated.

Additionally, Section 1354 (19) of Title 68 specifically levies a sales tax on the sale of tangible personal property sold to persons, peddlers, solicitors, or other salesmen, for resale where there is likelihood that this will lose tax revenue due to the difficulty of enforcing the provisions of the Oklahoma Sales Tax Code. (See copy enclosed of this section in its entirety).

Therefore, _____ should charge, collect and remit sales tax on all retail sales made by distributors in Oklahoma. This determination is correct notwithstanding the fact that _____ sells to distributors at the wholesale level. Consequently, a distributor is not issued a permit, but would be responsible for collecting the sales tax for _____

This response applies only to the circumstances set out in your request of April 20, 2000 and may not be relied upon by any entity other than the addressee. In the event of any change in the facts surrounding the transaction described, this letter ruling would no longer be applicable. You are further advised that subsequent statutory or administrative rule changes or judicial construction of the statutes or rules upon which this advice is based may yield a different result from that which is expressed here.

If I can be of further assistance, please contact me.

Sincerely,

Brenda J. Sullivan
Tax Policy Analyst

Enclosure